



ABX Executive Summary.

- Allocated Bullion Exchange (ABX) is an Australian-based company that has developed the first truly global electronic institutional exchange for allocated physical precious metals.
- Through its proprietary and 100% owned online trading platform called "MetalDesk", it provides instant electronic global trading, price discovery, and clearing facilities. Accessing eleven ABX geographically diverse local physical exchanges (with related accredited storage facilities), MetalDesk enables Members, that are institutions, brokers, producers, traders and users to find best prices globally and execute transactions efficiently.
- The existing service providers for physical precious metals buying, selling and storing, such as bullion banks, have built proprietary systems that force their involvement as a middleman and are perceived by both sellers and buyers as being unnecessarily expensive. ABX is starting to disrupt existing big bank-controlled and inefficient methodologies for pricing, trading, transporting and storing physical precious metals.
- In addition, regulatory agencies around the world are concerned that the physical precious metals markets are neither transparent nor open. Regulatory review is underway in many countries and ABX is a developed answer to regulators' concerns.
- It is estimated that the bullion bank controlled, allocated and unallocated physical market for precious metals exceeds \$14 trillion per year. This market is ABX's principal target and even a modest infiltration rate of 1/2 of 1% by year 5 will generate significant revenues.
- There are other markets and other revenue streams that should move faster to ABX's system. Regional physical trading, GLD alternatives, online retail through broker platforms, asset collateralization and derivative overlays all have significant revenue potential for ABX.
- ABX is currently generating revenues and the proper application of US\$4 million in new funds to ABX's commercialization plan should result in ABX achieving cash flow breakeven by Q1 2017. Once it is in full operation, ABX's business is high margin and totally scalable, limited only by its ability to engage industry participants and investors.
- ABX may seek additional funding within a year but only if such funding will clearly enable the acceleration of growth in both revenues and profits.



The Business

Allocated Bullion Exchange (ABX) is an Australian-based company that has developed the first truly global electronic institutional exchange for allocated physical precious metals. By modernizing, integrating and globalizing the precious metal markets, ABX aims to redefine the way physical bullion is traded, stored, and monetized. Adoption of this electronic institutional exchange will reduce the influence and costs of big bank intermediaries and bring transparency, efficiency, safety, and greater margins to the industry.

ABX offers a centrally cleared exchange that is efficient, transparent and cost-effective; it provides direct access to regional wholesale markets. Through its proprietary and 100% owned online trading platform called "MetalDesk", it provides instant electronic global trading, price discovery, and clearing facilities. It offers Members that are brokers, platforms, and asset managers access to a central exchange with complete white-labeled business-in-a-box integration for control of brand and economics. Accessing eleven ABX geographically diverse local physical exchanges (with related accredited storage facilities), MetalDesk enables Members, that are producers, traders and users to find best prices globally and execute transactions efficiently. ABX is enabling producers to deal with a broader market directly, to reduce their dependence on institutional intermediaries and to increase their net revenues through better pricing and cost reductions. It is enabling traders and users to have a continuous global view of markets and execute transactions instantaneously and at a lower net cost. In summary, ABX powers all of its participants to safely buy, sell, transfer and store physical precious metals in secure global vaults with low cost, simplicity and the highest levels of liquidity and transparency.

ABX revenue sources are transaction fees, storage fees, and fees generated by proprietary Electronic Vault Warrants transactions that enable borrowing against physical bullion in storage. The revenue mix is a combination of transaction and borrowing fees that fluctuate with activity and storage fees that are more stable as the physical metal tends to remain in place even as ownership is transferred.

The Problem We Solve

ABX is starting to disrupt existing big bank-controlled and inefficient methodologies for pricing, trading, transporting and storing physical precious metals. The existing service providers for physical precious metals such as bullion banks (e.g. HSBC, JP Morgan) have built proprietary systems that force their involvement as a middleman and are perceived by both sellers and buyers as being unnecessarily expensive. These systems also make trading across geographical markets difficult and preclude instantaneous global price discovery. ABX has built an industry-wide standardized framework for regionally-distributed wholesale bullion trading that makes the distribution and ownership of physical precious metals more accessible, transparent, and efficient.

In addition, regulatory agencies around the world are concerned that the physical precious metals markets are neither transparent nor open. Regulatory review is underway in many countries and ABX is a developed answer to regulators' concerns.



Target Markets

It is estimated that the bullion bank controlled, allocated and unallocated physical market for precious metals exceeds \$14 trillion per year. This market is ABX's principal target and even a modest infiltration rate of 1/2 of 1% by year 5 will generate significant revenues. This modest infiltration rate assumes that despite ABX's global market, price discovery (supported by regulatory pressure) benefits, inertia and bank resistance will make capturing a large market share a slow process.

There are other markets and other revenue streams that should move faster to ABX's system. Regional physical trading, GLD alternatives, online retail through broker platforms, asset collateralization and derivative overlays all have significant revenue potential for ABX.

The History

ABX has spent 5 years and AU\$10 million (US\$7 million) developing its MetalDesk technology, implementing all physical trading mechanics and systems, opening up the eleven trading hubs, contracting for accredited storage facilities, establishing a growing 80 member portfolio of quality brokers, institutions and jewelers that are using MetalDesk, and attracting a number of producers that are providing physical precious metal liquidity. It has built the legal and operational documentation that contemplates compliance with financial services, money laundering and counter terrorism financing laws and other precious metal regulation. It has also developed a safe and compliant process that enables owners to borrow against allocated physical precious metals. It is currently generating revenues and is building its institutional member portfolio.

The Commercialization Plan

ABX is now in a position to grow its business globally. During the next ten to twelve months, ABX will engage with a broader group of important mining companies, partner or contract with one of the institutional clearing exchanges, and execute a sales and marketing rollout plan directed at prospective bullion market participants in its three top prospective market verticals. These verticals are key subsectors of the physical precious metals industry, the asset management industry and brokerage.

As an important part of this ten to twelve month program, ABX will initiate, in February, a soft launch with a heavy focus in the Asian region that will include a coordinated program of joint press releases with existing liquidity providers, exchange members and end-users, and a concentrated series of meetings to close and onboard highly rated investor prospects and strategic partners. This will be followed, starting in July 2016, by a global official launch in all the major financial hubs to build upon and expand upon the achievements in the soft launch and capturing the requisite market infiltration rates that will enable it to achieve positive monthly operating cash flows by the first quarter of 2017.

ABX will concurrently work to involve a broad spectrum of the mining industry as ABX Members who will provide the liquidity needed for a large and effective exchange operation. This will be an extension of an existing program of meetings with precious metal producers particularly in Canada, the US and Australia.



ABX will also add IT staff and resources to significantly accelerate the roll-out of pipeline products. Pending product initiatives include new MetalDesk APIs for Members, Electronic Vault Warrants (eVWs) to enable the collateralization of metals stored with ABX, and a permission based system for MetalDesk to provide more customization and adherence to regulatory requirements necessary for some Members. Continued development of the core technology and completion of these initiatives will significantly advance ABX's value offering.

ABX also expects to initiate a relationship with a global clearinghouse in Q3/Q4 of this year. The addition of a global clearinghouse service provider solution will allow for significant accelerated growth and revenues by providing clearing/settlement support from the largest financial organizations in the world. In turn, this will enable access to the largest target market institutional participants in the precious metals and asset management industry by giving them added comfort and confidence across all the ABX offerings. To take full advantage of this relationship, ABX will have to accelerate spending as additional requirements are placed on multiple functional areas of the firm (product, technology, legal & compliance).

At the end of this ten to twelve month period, ABX will have identified those verticals that, through actual market activity, have been confirmed to have the greatest potential for accelerated growth. It will have its IT and products ready for accelerated growth. And it will have its exchange relationship. The next step will be to develop an accelerated growth plan that will enable ABX to deeply penetrate the high potential market verticals, to be an important asset for a broad range of major industry participants, and to establish a global franchise with impenetrable barriers to entry.

The Financing Plan

ABX is anticipating a two stage financing program. The first stage involves raising US \$4 million to enable it to integrate all elements in its exchange system and initiate its global commercialization program. ABX is approaching existing shareholders, exchange Members and new investors with this offering of Common Shares with attached warrants to acquire additional shares. The plan is to have a series of closings from the middle of March to the beginning of May.

The second stage of the financing program is to raise a substantially larger amount that is expected to be in the range of US \$10-\$20 million. This will provide growth capital as ABX accelerates its commercialization. The timing, amount and securities to be issued will be determined at the time and based upon what, in management's judgment, is required to achieve its strategic and financial objectives.

Financial Profile

ABX revenue sources are transaction fees, storage fees and fees from a new product called Electronic Vault Warrants that enables borrowing against physical bullion in storage and enables, for the first time, bullion to be an income generating asset class. ABX's transaction and borrowing fees fluctuate with activity while storage fees are more stable and predictable as the physical metal tends to remain in place even as ownership is transferred.



ABX has done substantial financial modeling work, using thoroughly considered assumptions that are based upon the experience of other exchanges, information provided by actual and prospective members and ABX management's operating experience to date. The model indicates that once it is in full operation, ABX's business is high margin and totally scalable, limited only by its ability to engage industry participants, asset managers and users.

ABX is projecting monthly positive operating cash flow by the first quarter of 2017. It should be capital self sufficient at that time. It will take down additional capital only if it is certain that additional capital will accelerate its commercial development with a commensurately high return on that capital.

Uses of Funds

ABX will use these funds and its current cash to maintain operations, currently costing roughly US \$275,000 per month, and make additional investments into new staff and initiatives across sales, marketing, and IT. ABX will increase its burn rate to US\$400,000 per month during Q2 2016, US\$500,000 during Q3 2016 and then US\$600,000 during Q4 2016. When combined with projected revenues, the use of cash from this capital raise will aggregate slightly less than US\$3 million prior to the achievement of cash flow breakeven in Q1 2017.

In addition, ABX is expecting expenditures of up to US\$ 1 million to enable it to integrate with one or more important global exchanges before it achieves the commercial benefits of that integration. The commencement of that expenditure is expected to occur in Q3/Q4 of 2016.

Next Steps

ABX is seeking to receive immediate indications of interest in proceeding with in-depth due diligence. In the interim, the management of ABX will provide further information on the Company and will make telephone or in person presentations. ABX would be looking to have due diligence completed by the end of March with a final closing at the beginning of May.